



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
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*"To Enrich Lives Through Effective And Caring Service"*

Board of Supervisors  
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Fifth District

June 17, 2014

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

16 June 17, 2014

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

### **AUTHORIZATION TO ACCEPT CALIFORNIA PAY FOR SUCCESS INITIATIVE AWARD (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

#### **SUBJECT**

Request approval to accept the California Pay for Success (CA PFS) Initiative Award designed to provide technical assistance to support Los Angeles County's effort in the development of a Pay for Success Blueprint.

#### **IT IS RECOMMENDED THAT THE BOARD:**

1. Approve the acceptance of up to \$300,000 for a California Pay for Success (CA PFS) Initiative Award from the Nonprofit Finance Fund which includes \$200,000 that would be paid directly to Third Sector Capital Partners to provide best practices, help document benefits and risks, and provide general information on how these initiatives are being financed by other jurisdictions. If the Board approves the Blueprint, \$100,000 will be used to conduct data analysis and establish a performance baseline for a selected Pay for Success initiative.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On October 15, 2013, the Board directed the Chief Executive Officer (CEO) to convene an Advisory Group with external PFS financing experts and County departments to develop a blueprint that includes: criteria for selection of a PFS intervention; contractual and financing guidelines; and recommendations for changes to County policies and procedures that would be required for implementation. The Blueprint Committee has done a significant amount of work establishing the framework for how the County, if approved by the Board, can move forward in selecting an intervention and implementing a Pay for Success Initiative. Third Sector Capital Partners has provided technical assistance to many jurisdictions on such areas as: conducting a comprehensive

cost benefit analysis; reviewing samples of financing models used by other jurisdictions; and providing information to establish projected savings associated with the selected intervention.

### **Implementation of Strategic Plan Goals**

The recommended actions support the Countywide Strategic Plan Goals: Goal 1: Operational Effectiveness; Goal 2: Fiscal Sustainability; and Goal 3: Integrated Services Delivery.

### **FISCAL IMPACT/FINANCING**

CA PFS funding will be disbursed in two Phases. A total of \$125,000 is proposed for Phase I for the development and approval of a blueprint; and \$175,000 in Phase II for the selection and implementation of a PFS intervention. There is no impact on the County general fund.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Since the Board's October, 2013, motion, the PFS Blueprint Committee has worked diligently to develop a blueprint for the Board's consideration. In its work, the Committee has learned that the financing of PFS initiatives is unique and complex, requiring expertise that members of the Committee do not have.

To educate itself on the intricacies of PFS initiatives and their financing, the Committee explored efforts underway by other jurisdictions. In California, Santa Clara County currently has a Request for Proposal underway for one PFS initiative and is in the advanced planning stages for the release of another. It has obtained the Third Sector to assist with those efforts, particularly with structuring the financing of its initiatives and assisting with the finance community.

In February, 2014, the Nonprofit Finance Fund (NFF) announced a \$2.5 million funding opportunity to catalyze innovative approaches to paying for improved social services throughout California. NFF announced that it intended to select 3-8 leaders from the government or social service sector who are working to create, structure and close PFS agreements in their communities. The selected cohorts, of which the County is one subject to the Board's approval, are to receive financial, technical and other assistance to launch PFS projects.

The County's application emphasized the need for expert support to finalize the blueprint for the Board's consideration, particularly with respect to financing models for a potential PFS initiative. On that basis, the County's application was selected for funding.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will enable the CEO to develop a Blueprint, and identify and implement, after Board approval, PFS Intervention Initiatives.

The Honorable Board of Supervisors

6/17/2014

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA

Chief Executive Officer

WTF:AJ

VD:km

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel



## California Pay For Success Initiative

May 14, 2014

Office of William T Fujioka, Los Angeles County Chief Executive Office  
Primary Contact: Antonia Jimenez, Deputy Chief Executive Officer  
222 South Hill Street, #5  
Los Angeles, California 90012

Third Sector Capital Partners  
Primary Contact: Caroline Whistler, Partner  
353 Sacramento Street, Suite 740  
San Francisco, California 94111

Dear Ms. Jimenez,

It is my pleasure to inform you that the California Pay for Success Initiative has approved an up to \$300,000 award to support Los Angeles County, the "Awardee" in exploring the feasibility of Pay for Success contracts.

This award is subject to the terms outlined below. After you have reviewed these terms, please have an appropriate officer countersign the award letter and send a PDF of the executed copy to [jcrockett@nff.org](mailto:jcrockett@nff.org).

We are delighted to support your work and look forward to working with you.

Sincerely,

A handwritten signature in black ink, reading "Jessica LaBarbera", written in a cursive style.

Jessica LaBarbera  
California Pay For Success Initiative Manager  
Director, Nonprofit Finance Fund

## Key Terms of CA PFS Initiative Award

Up to Award Amount: Up to \$300,000\*

\* Up to \$200,000 of total award will be awarded directly to Third Sector Capital Partners in support of their advisory contribution to the work outlined below.

Up to \$100,000 of total award will be awarded to LA County Service Integration Board to support their exploration of Social Impact financing.

Time Period: June 1, 2014 - June 30, 2015

Key Project Goal(s): To develop a blueprint to provide LA County Board of Supervisors with the information needed to authorize the County to pilot and/or implement Pay for Success interventions.

Technical Assistance Provider(s): Third Sector Capital Partners

### Estimated Award Disbursement Schedule

Award disbursements will be made based on progress against each milestone and/or deliverable as indicated in the table below.

Milestone and/or Deliverable	Amount for Awardee (Service Integration Branch:	Amount for Third Sector Capital Partners	Amount for [TA Provider]	Total Estimated Disbursement Amount:	Estimated Date
Phase I Support					
Preliminary disbursement to support launch of Phase I support		\$50,000		\$50,000	6/1/2014
Compilation of PFS examples and best practices.		\$25,000		\$25,000	8/1/2014
Considerations for cost/benefit analysis					

and performance-based payment structure.					
Risk & benefit assessment completed with county.					
Completion of LA County Pay for Success Blueprint		\$50,000		\$50,000	10/1/2014
If the Blueprint is approved, supplemental funding to support a second phase of work, which is anticipated to include the following deliverables:					
As needed consultation on the development of PFS solicitation's finance model	\$25,000	\$25,000		\$50,000	2/1/2015
Development of baseline performance measures & cost/benefit analysis					
Completion of analyses on selected intervention including creation of economic model, quantification of potential County savings, engagement of potential investors and finalization of financing requirements	\$25,000	\$25,000		\$50,000	4/1/2015
Implementation of PFS Pilot project	\$50,000	\$25,000		\$75,000	6/30/2015

Commitments of Awardee (LA County PFS Blueprint Committee):

1. Awardee will participate in periodic status updates with California Pay for Success Initiative Manager to ensure engagement is on track to be completed on-time and will satisfactorily meet objectives, *including monthly check in calls.*
2. Awardee will communicate in a timely and respectful manner with Technical Assistance Provider (s) and California Pay for Success Initiative manager.

3. Awardee will participate and engage in a peer learning community comprised of other leaders being supported and technical assistance providers and other experts engaged. *This cohort is expected to meet virtually in late summer/early fall of 2014 and in person in late 2014.*
4. Awardee will respond to all reasonable requests for information from Technical Assistance Provider and California Pay for Success Initiative Manager
5. Awardee will commit appropriate staff and, management time to timely completion of the engagement. Awardee will brief the Board of Supervisors as necessary and will make recommendations for its ultimate decision making consistent with the timeframes set forth herein.
6. Participation in the California Pay for Success Initiative does not preclude Awardee from applying for or receiving other sources of funding to support Pay for Success exploration or efforts
7. Information gathered from Awardee by the Technical Assistance Provider (s) or the California Pay for Success Initiative Manager may not be used publicly or with any party outside of those listed in this engagement letter without prior written consent of the Awardee
8. Awardees will review any Technical Assistance Provider invoices submitted to the California Pay for Success Initiative
9. At the end of the engagement, the Awardee owns the rights to the final deliverable completed by the Technical Assistance Provider with the understanding that both the Technical Assistance Provider and the California Pay for Success Initiative Manager will have access to the information contained in said deliverable.

#### Commitments of the Technical Assistance Provider (s)

1. Technical Assistance Provider (s) will communicate in a timely and respectful manner with Awardee, the LA County PFS Blueprint Committee, and California Pay for Success Initiative Manager, including monthly check in calls.
2. Technical Assistance Provider(s) will participate in periodic status updates with California Pay for Success Initiative Manager to ensure engagement is on track to be completed on time and will satisfactorily meet objectives
3. Technical Assistance Provider will participate and engage in a peer learning community comprised of other leaders being supported and technical assistance providers and other experts engaged. *This cohort is expected to meet virtually in late summer/early fall of 2014 and in person in late 2014.*
4. Technical Assistance Provider will make reasonable requests for information from Awardee pertinent to the successful completion of the engagement
5. Technical Assistance Provider will adhere to the agreed upon scope of work and bring any material changes to the engagement to the attention of the Awardee and California Pay for Success Initiative Manager
6. All information gathered from Awardee by the Technical Assistance Provider or the California Pay for Success Initiative Manager may not be used publicly or with any party outside of those listed in this engagement letter in direct connection to the participating Awardees without prior written consent
7. At the end of the engagement, the Awardee owns the rights to the final deliverable provided by the Technical Assistance provider with the understanding that both the Technical Assistance Provider and the California Pay for Success Initiative Manager will have access to the information contained in said deliverable

#### Communications:

Should the California Pay for Success Initiative desire to include reference to information pertaining to this engagement in public communications and/or marketing materials, the California Pay for Success Initiative will preview said materials with the Awardees prior to public release.

#### Other Provisions:

1. At the end of the engagement both the Technical Assistance Provider and the California Pay for Success Initiative can retain the information contained in the engagement deliverables and use them in any way not otherwise restricted by this Award Letter or any Confidentiality or Nondisclosure Agreement that may be attached to this Award Letter.
2. Failure by any party to this Award Letter to enforce any obligation or claim a breach of this Award Letter will not be construed as a future waiver of any right, power or obligation under this Award Letter.
3. If any provision of this Award Letter is declared invalid by a court of competent jurisdiction, all remaining provisions shall remain in full force and effect.
4. This Award Letter may not be modified except by an agreement in writing signed by an authorized representative of each of the parties to this Award Letter and the California Pay for Success Initiative Manager.
5. The laws of the State of California shall govern this Award Letter.

## Appendices:

## TA Provider Budget and Scope of Work

The term of this Award Letter shall begin on [upon signature of all parties](#) and will end [June 30, 2015](#) unless extended by mutual agreement between the Awardee, Technical Assistance Provider, and California Pay for Success Initiative. Either Awardees or the Technical Assistance Provider may terminate this Agreement with or without cause upon fifteen (15) days written notice to the other parties with a copy to the California Pay for Success Initiative Manager. Nonprofits will be liable for payment to the Technical Assistance Provider for any unpaid work performed through date of notice, subject to the procedures for payment specified in this Award Letter.

Signed,

Accepted and Agreed for the [Awardee]]

Accepted and Agreed for [TA Provider]

Name, Title, Organization

Name, Firm

Accepted and Agreed for Nonprofit Finance Fund

Jessica LaBarbera, California Pay for Success Initiative, Nonprofit Finance Fund  
Appendix: Scope of Work & Budget – Third Sector Capital Partners



# County of Los Angeles

## California Pay for Success Initiative Scope of Work

### *Proposed Scope of Work for the County of Los Angeles PFS Project*

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#### Phase I – Development of the Blueprint

- Provide examples and review best practices on PFS financial models that have been adopted by other jurisdictions.
- Review the considerations for conducting a cost-benefit analysis and developing a performance-based payment structure based on outcomes.
- Work with the Committee to clearly delineate the risks and benefits of the PFS initiative as a whole as well as what the County should consider when selecting an intervention to minimize risk.
- Develop an outline that offers the County a guide for creating an economic model to capture considerations for the program, including the dynamics of provider costs, intermediary costs, county savings, and cash flows.
- Develop an outline for identifying financing requirements and considerations, including identifying fundraising needs, creating a prospectus, assessing investor interest, and convening investor advisory groups.
- Develop an outline for a potential communications strategy to engage government agencies and investors, including a sample investor prospectus.
- Provide best practices on how each government jurisdiction ensures that government funding is available to support these intervention initiatives.
- Provide guidance on the development of the Blueprint regarding oversight structure, selection criteria, or general policies and practices that the County is proposing.

#### Phase II – Selection and Implementation of PFS Intervention Initiative(s)

- Assist in the selection of the intervention, documenting why the intervention was selected, the benefits and risks associated with the intervention selected.
- Once the intervention has been selected, work with the departments to develop baseline performance measures for the selected intervention. Third Sector will be asked to provide best practices on what other government entities have done to ensure the baseline is clearly established and documented.
- Provide support in the development of a cost-benefit analysis and develop a performance-based payment structure based on outcomes.

#### Administration

- The external consultant will participate in bi-weekly meetings with the PFS Advisory Group. The consultant will advise the team on blueprint components described in Phase I above.
- During the alternate weeks, when the bi-weekly PFS Advisory Group meeting is not scheduled, the external consultant will continue to work with the CEO staff and team to help draft the blueprint sections that have been discussed.
- Weekly meetings/conference calls will be held with the consultant and the County Chief Executive Office (CEO) staff to work on the blueprint.

- During the weekly calls/meetings, a weekly dashboard on progress will be provided to the County Chief Executive Office.
- Administration details for Phase II will be developed, only if the Board of Supervisors approves the blueprint and directs the County to launch a PFS initiative.